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SOME OF THE OBSTACLES TO NORTH AMERICAN TRADE IN BRAZIL

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I am not and never have been directly interested in trade. During the ten years of my travels in Brazil I have been in the employ of the Brazilian government as a geologist, or I have been otherwise engaged in the study of the geology and natural history of the country. My travels, however, have taken me into all parts of the country, into nearly every one of the Brazilian states, and among all classes of people. What I have to say therefore is based entirely on my own observations and on what I could learn from the people rather than upon hearsay or upon such information as one can pick up in the seaports and in the large cities.

I cannot undertake to discuss or even to mention all of the obstacles to North American trade in Brazil for the reason that I do not pretend to know what all of those obstacles are. In the brief time I can give to the subject I shall only ask your attention to such obstacles as have come to my attention and for which we North Americans are ourselves responsible.

I assume at the outset that it is generally known that Brazil exports the bulk of her products to the United States, and that she imports the bulk of foreign supplies from Europe.

These facts may be readily gathered from statistics, and they may be seen in process in the large Brazilian cities which are the ports of entry and distributing centers, such as Pará, Pernambuco, Bahia, Rio de Janeiro, and Santos. But the impression that one gets in the large cities where the commission merchants are well supplied with samples, and stand ready to receive orders for American as well as for European goods, are not nearly as convincing as that

which one gets on the frontier of trade, that is in the shops of the small dealers, in the homes of the planters and cattle growers, and in the humble cabins of the poor fishermen, or of the rubber cutters of the interior.

The shelves of the little retail shops through the distant interior of Brazil furnish the self-satisfied North American enlightening visions that cannot be seen or appreciated in the up-to-date shops of the Rua d'Ouvidor or on the fashionable avenues of Rio de Janeiro. For these little up-country shops are the distributing posts for everything of foreign manufacture that reaches the common people and the laboring classes all through the enormous interior of that country.

The commission merchants of the coast cities keep all sorts of things, many of which may seldom or never be sold. But the up-country dealer cannot afford to pay the transportation on mule-back over a thousand miles of almost impassable bridle-paths upon things that there is any doubt about his selling. One may therefore be very sure that the goods in the retail shops of the interior are there because the dealer knows they will be sold—that there is a sure market for them, however small the demand.

In such a place one usually finds the following articles of North American manufacture: kerosene oil, Singer sewing machines, cheap clocks, Ayres' proprietary medicines, and Lanman and Kemp's Florida water. Everything else is of British, German, French, Italian, or Portuguese manufacture. I have myself seen hundreds and hundreds of such stores.

It is my purpose to ask your attention to the reasons for this state of affairs as they appear to an uncommercial traveler, and in so far as we are responsible for it.

It is in the retail shops I have mentioned that one fully realizes what some of the obstacles are to our trade with Brazil, for it is chiefly in them that some of these obstacles are operative.

The obstacles to North American trade with Brazil that have attracted my attention on the ground are these:

1. Our ignorance and indifference to the language of the country.

2. Our ignorance of and indifference to the customs of the people, and consequently to the demands of the trade.

3. Bad packing or indifference to the methods of transportation in the interior.

4. Indifference to the credit system of the country.

5. Our lack of serious intention to build up and maintain permanent business.

6. Fatal and unscrupulous business methods, including the sale to the Brazilians of things the people cannot use and should not buy.

7. Our high tariff laws which render competition with other countries difficult.

8. Finally I shall refer briefly to what are often spoken of as obstacles to trade, namely the absence of American ships and American banks.

The language. The language of Brazil is Portuguese, but there is a wide-spread impression in this country that the language is Spanish. A great many people have the delusion that, even if the language is not Spanish, the Spanish will do just as well. I assure you that this is a serious and a fatal error. It is true that Spanish is generally understood along the frontier with Uruguay, Bolivia, and Peru, just as it is in this country along the Mexican frontier, but through the interior and over the great body of the country the Spanish language is as little known as it is in the United States. Over and over again I have seen efforts made to sell in Brazil articles that have to be accompanied by printed directions, as in case, for example, of medicines, and the directions were sent out in Spanish.

I venture the guess that if an American manufacturer wanted to send a traveling salesman to work up trade in Brazil for the first time, he would, in nine cases out of ten, supply him with catalogues printed in the Spanish language. I venture a second guess that the aforesaid manufacturer would instinctively look for a salesman who understood Spanish. And I venture a third guess that the Spanish speaking salesman with the Spanish catalogues would make a first class mess of any business he might attempt in Brazil.

Persons who contemplate business with Brazil cannot

attach too much importance to the Portuguese language. And by Portuguese I do not mean bad Spanish, nor do I mean a sailor's vocabulary of unconjugated verbs and undeclined adjectives and articles. I mean the Portuguese language grammatically spoken. The merchants of Brazil are generally men of good breeding, and they resent doing business with persons whose language suggests that they belong to the ignorant classes.

It may be worth noticing in this connection that men familiar with both Portuguese and English can be readily found at New Bedford, Massachusetts, and about Oakland and Sacramento in California.

Customs of the country. It goes without saying that, like other people, the Brazilians have some customs peculiarly their own, and they have certain others that are peculiarly not ours. These customs lead to the use of articles that are but little or not at all used in our own country. In studying the market conditions in Brazil it seems clear that such matters should be given proper consideration. I have found, however, among some of the hopeful beginners in the Brazilian field the impression that the people only needed to be told what to buy and they would buy it; that they only needed to be reminded that this is all the fashion in the states. But Brazilians are conservative, and they are also human, and they are very like some of us in this, that when they are buying a thing they like to buy what suits them and to buy it of the size, color and in the quantity that suits.

I once found that in a certain region an unsuccessful effort had been made to introduce American calicoes. The case interested me, and I made some inquiries about it. I found that the American calico was regarded as superior to the British article being sold in competition with it, but the American calico was put up in large bolts, while the British goods were done up and sold in dress pattern bolts of a definite number of meters, and each one had a pretty label pasted on it. At that time the American manufacturers urged that one could cut off from the American bolt as many or as few meters as were wanted. But though the Americans had

the reasons and the better goods on their side, the British merchants got the trade.

In this connection perhaps I should note that the metric system is legal and the one in common use in Brazil.

Packing. The effect of indifference to proper packing may not be at all apparent to one acquainted only with the trade in the sea-ports and along the railway lines, but to a person familiar with the roads of the interior packing at once seems a matter of prime importance.

It should not be forgotten that Brazil is an enormously big country—quite as big as the United States—that the railways are comparatively few, and that the greater part of the country is remote from them. Wagon roads as we know them in the United States cannot be said to exist over most of the interior, though they are extending rapidly in the southern states. The result is that goods going into the interior have to travel for weeks or even months on the backs of pack-mules. There is absolutely no other way for them to be moved.

Goods, in order to reach their destination in the interior, must evidently either be packed for shipment at the factory, or they must be repacked before they can start on these long overland journeys.

How many of our merchants know or concern themselves with the fact that goods shipped into the interior of Brazil should be so done up that two packages will make an average load for the pack animals; that these loads must be put on and taken off the animals at least twice a day, that the packages must withstand tropical sunshine and be exposed to tropical rains; that they must be strong enough to be unhurt by a thousand bumps against trees and rocks along the roads, and must be rolled in the mud and dust over and over again before they reach their final destination?

The European merchants know these things, keep them in mind, and pack the goods so that they are of convenient sizes and weights and otherwise properly conditioned. The American manufacturer says we do our goods up in boxes of such and such sizes, shapes, and weights; there they are;

take 'em or leave 'em. And what wonder is it that the Brazilians leave them?

Credit system. The methods of paying for merchandise are not the same in Brazil as they are in this country. I do not undertake to say whether the credit system in vogue in that country is good or bad, nor can I say whether it is possible for our merchants to adjust themselves to it. But I am confident that if our merchants want to do business with that country they will have to offer the Brazilians the same credits that European merchants offer. It may help us understand the situation to say that part of the European system consists in charging a very consoling rate of interest on bills.

Lack of serious intentions. The more I have seen of our spasmodic efforts to get hold of trade in Brazil the less hope I have had of such trade coming to this country. A wave of enthusiasm about Brazilian trade occasionally passes over our business men. They come to the conclusion that a virgin field there awaits our energy and our aggressive up-to-date methods. This enthusiasm is helped considerably if our home market is a bit dull. A traveling salesman who knows a little Spanish and who has had some experience in Mexico perhaps, is hustled off with a good line of samples and lots of catalogues—in the Spanish language. Perhaps the salesman spends six months or more in Brazil and by hook and by crook rounds up some orders and sends them along. By the time the orders reach the house in New York, the enthusiasm of the firm has cooled down considerably, or perhaps the home market has improved. In either case the orders are trifling and hardly worth bothering about, and they are filled with an indifference that bodes ill for future orders for American goods in Brazil. Right here is one of the most serious obstacles to North American trade in Brazil.

Such conduct may not make any great difference to that one firm, for it may never interest itself further in Brazil, but every American firm that follows in the footsteps of its fellow countryman will pay dearly for his indifference, or his sharp practice.

It is worth while to contrast such methods with those of

the best British and German houses doing business in Brazil. These houses are in the trade, not for the purpose of getting out of it as soon as possible and with a big rake-off, but for the purpose of staying in it for life, and of building up an honored firm and passing it down to future generations with an unsullied reputation for integrity and fair dealing. Such houses usually have several branches; perhaps the parent house is in London with branches in Manchester, Birmingham, Pará, Pernambuco, Bahia, Rio de Janeiro, Santos, and S. Paulo. It is the custom of the Pernambuco branch, let us say, to have a young man sent out from England from time to time. This young man starts in at the bottom, he learns the Portuguese language, and gradually works his way up from the lowest rank to a good place in the Pernambuco house. Perhaps he is then transferred to the Rio branch, and remains there until he comes to be the manager of that branch. In due time he is promoted to the Manchester or London branch, and he may come to be the head of the firm. Behind this man is a procession of young Englishmen traveling almost identically the same road. Everyone of them speaks the Portuguese language, every one of them is perfectly acquainted with the business customs of Brazil, and knows what is wanted in the market and why it is wanted. They have relations established with the wholesale and retail dealers within their respective territories, and they keep in living touch with the business of the entire country.

I recommend our merchants and manufacturers to seriously ask themselves whether they think they can compete successfully in the Brazilian market with houses built up by such methods. Of course there is no reason why they should not compete; but such competition must be taken seriously, and the British merchants must be met on their own high ground. When our merchants enter the Brazilian market with the intention of staying in it for generations, and with the intention of winning their way by studying the market, by dealing honorably, and by giving the people all they can afford to give them for their money, they'll gain a foothold, and they will not gain it before.

Unscrupulous business methods. An honest merchant may well protest that he is not concerned with unscrupulous methods in trade because he does not practice them and does not allow them to be practised in his business. But such a man and every honest man is made to suffer and to pay dearly for the wrong methods of those who precede them in the field. Of course unscrupulous methods may embrace any kind of wrong done the people with whom we have to deal. I recall a choice lot of examples that have come to my attention early and late. The less said of them the better. But there is one variety to which I refer that is quite too often regarded as perfectly legitimate. I refer to the selling to the Brazilians of things they cannot use without some sort of instruction and direction, and the failure to supply that instruction.

One case out of the several that came to my attention will show my meaning.

The representative of a firm of American manufacturers of agricultural implements got the ear of a Brazilian planter, and by means of attractive pictures and glowing accounts of what plows can do, persuaded the planter to buy a gang plow. I should add that the pictures were not misleading, nor were the stories about the plows exaggerated, nor was the price unreasonable. Apparently all dealings were perfectly correct. When the plow reached Brazil there was no one on the plantation or in the vicinity, or probably in the whole state, who knew anything about a gang plow. They managed to get it put together after a fashion and then the question was how to draw it. There was not an animal on the place that had ever worked in harness, and there were no harnesses, and even if there had been, the horses and mules were all too light for such service. The result was that the plow was necessarily abandoned, and the planter does not know to this day whether he or the salesman is responsible for the money he lost in the transaction.

I imagine that there may be a difference of opinion in regard to cases of this kind, but I can make my own views clearer perhaps by citing another instance that was dealt with differently and with different results.

Many years ago the Baldwin Locomotive Works of Philadelphia got an order for a locomotive to go to Brazil. The manufacturers took special pains to see that the locomotive sent was capable of doing the work required of it, and that it was as sound and trustworthy in every respect as they could make it. And do you suppose they then shipped it out and left the Brazilians to set it up and run it? Not a bit of it. They sent out with the locomotive a skilled mechanic from their own shops whose business it was to take charge of the landing of the locomotive, to set it up properly, to start it, and to teach the Brazilian engine driver how to run it, and to stay with him until the lesson was thoroughly and properly learned.

As might be expected, the locomotive gave perfect satisfaction, and led to a large and profitable business for the Baldwin Locomotive Works that has gone on now for nearly seventy years.

But that company has never let up for a single day in its vigilant attention to its locomotives and to the interests of its Brazilian patrons. The result was that for a long period of years you could hardly give away in Brazil any locomotive that was not a Baldwin.

High tariff in the United States. I have no idea of discussing tariff laws. I merely call attention to the fact that inasmuch as our tariff laws have raised the cost of many of our manufactured articles, it follows that those articles cannot be sold in the open competition of the Brazilian markets. All such goods are shut out of Brazil, and must remain shut out until our manufacturers can compete with those of other countries.

There are some anomalous cases, however, in which the American manufacturers' profits are so large that they are quite able to compete with European manufacturers in the Brazilian markets. I have noted that certain American made sewing machines for example, are sold at much lower prices in Brazil than they are in the United States.

The question of American banks. Over and over again I have heard it urged that the lack of American banks in Brazil was a constant obstacle to American trade in that country.

I can only offer an opinion on this subject, based on much observation, and some experience.

That opinion is that if there were American banks in Brazil the great bulk of their business would be just what the existing British banks are doing. The bulk of Brazil's exports goes to New York, but the exporters do not want their money either in Brazil or in New York; they want it in London where they can buy merchandise with it.

If there were American banks in Brazil the situation would not be changed. If an American bank were called on to handle the finances of a coffee crop that bank would have to pay for the crop in London and nowhere else.

Lack of American ships and steamers. Very similar are the opinions in regard to the lack of American ships and American lines of steamers. Some people seem to think that we might gather in a lot of trade with Brazil if only there were American ships to carry things back and forth. But I have noticed that, in practice, the merchants both in Rio de Janeiro and in New York, other things being equal, ship by vessels that can carry their merchandise most cheaply. They are not influenced to any appreciable extent by matters of sentiment.

If we had so many ships that their competition for trade reduced the freight rates below those asked by British or other ships, then, and then only, would our ships get the carrying trade.